

DURANT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2013

DURANT COMMUNITY SCHOOL DISTRICT

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DURANT COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2013

Name	Title	Term Expires
Board of Education		
Barb Reasner	Board President	2015
Russ Paustian	Board Member	2015
Ron Alpen	Board Member	2015
Julia Rivera	Board Member	2017
Robert Walker	Board Member	2017
School Officials		
Duane Bennett	Superintendent	2013
Lesa Kephart	District Secretary	Indefinite
Philip Keese	District Treasurer	Indefinite
Lane & Waterman	Attorney	Indefinite

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Independent Auditor's Report

To the Board of Education
Durant Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Durant Community School District, Durant, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Durant Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Durant Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 16, 2014 on my consideration of Durant Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Durant Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Durant Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,681,701 in fiscal 2012 to \$6,552,103 in fiscal 2013, while General Fund expenditures increased from \$6,703,179 in fiscal 2012 to \$6,799,235 in fiscal 2013. The District's General Fund balance decreased from \$1,236,334 in fiscal 2012 to \$991,588 in fiscal 2013, a 20% decrease.
- The District had a decrease in prior year certified enrollment which negatively impacted the funding received from the State for the General Fund.
- The District received a 4.2% premium increase for health insurance for the year.
- This was the eighth year of Whole Grade Sharing with the Bennett Community School District in grades 7-12. The sharing agreement resulted in an increase in expenditures in the General Fund.
- Several projects were completed during the year, including floor covering replacement, restroom remodel and asbestos abatement. Replacement of the heating system was started in June 2013 and will be finished in FY14.
- The copier loan was paid off early to save on interest costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Durant Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Durant Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Durant Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Durant Community School District Annual Financial Report

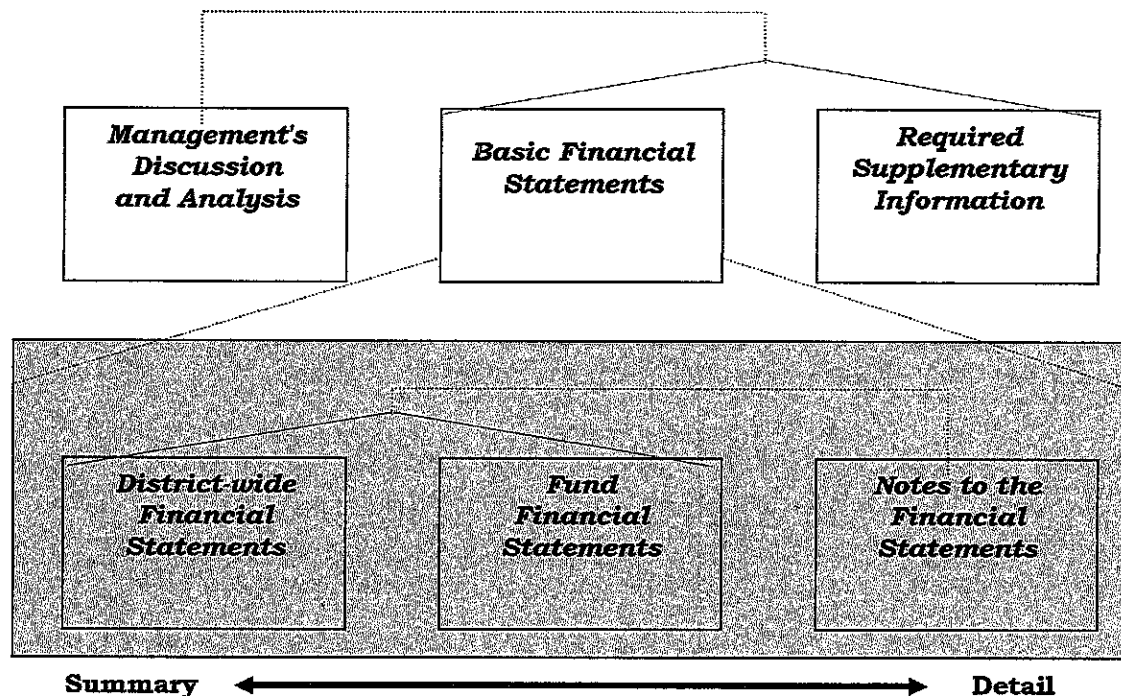


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, are the same as its business type activity, but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. These funds consist of a Private-Purpose Trust Fund and an Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund- This is a fund through which The District administers funds for the district football account as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3

Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 6,323,049	\$ 5,313,307	\$ 93,816	\$ 100,777	\$ 6,416,865	\$ 5,414,084	18.52%
Capital assets	<u>5,499,687</u>	<u>5,542,426</u>	<u>28,523</u>	<u>19,190</u>	<u>5,528,210</u>	<u>5,561,616</u>	-0.60%
Total assets	<u>11,822,736</u>	<u>10,855,733</u>	<u>122,339</u>	<u>119,967</u>	<u>11,945,075</u>	<u>10,975,700</u>	8.83%
Long-term liabilities	3,025,282	2,503,129	-	-	3,025,282	2,503,129	20.86%
Other liabilities	<u>3,020,934</u>	<u>2,618,745</u>	<u>168</u>	<u>-</u>	<u>3,021,102</u>	<u>2,618,745</u>	15.36%
Total liabilities	<u>6,046,216</u>	<u>5,121,874</u>	<u>168</u>	<u>-</u>	<u>6,046,384</u>	<u>5,121,874</u>	18.05%
Net position							
Net investment in							
capital assets	2,658,959	3,159,457	28,523	19,190	2,687,482	3,178,647	-15.45%
Restricted	2,399,180	1,726,673	-	-	2,399,180	1,726,673	38.95%
Unrestricted	<u>718,381</u>	<u>1,012,729</u>	<u>93,648</u>	<u>100,777</u>	<u>812,029</u>	<u>1,113,506</u>	-27.07%
Total net position	<u>\$ 5,776,520</u>	<u>\$ 5,898,859</u>	<u>\$ 122,171</u>	<u>\$ 119,967</u>	<u>\$ 5,898,691</u>	<u>\$ 6,018,826</u>	-2.00%

The District's combined net position decreased by approximately 2%, or \$120,135, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$672,507, or approximately 39% over the prior year. The increase was due in part to carry over balances in categorical funding and increased revenue from SAVE dollars in the Capital Projects fund, as well as bond proceeds received for the boiler project.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$301,477, or approximately 27%. An increase in salary and benefit package and administrator pay contributed to the decrease in unrestricted net position. Reduced funding from the state due to declining enrollment was also a factor.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Revenues							
Program revenues							
Charges for service	\$ 1,377,991	\$ 1,259,244	\$ 216,496	\$ 238,523	\$ 1,594,487	\$ 1,497,767	6.46%
Operating grants	881,513	881,100	134,677	130,902	1,016,190	1,012,002	0.41%
General revenues							
Property tax	2,621,406	2,794,075	-	-	2,621,406	2,794,075	-6.18%
Statewide sales, services and use tax	493,469	448,667	-	-	493,469	448,667	9.99%
Unrestricted state grants	2,455,544	2,370,727	-	-	2,455,544	2,370,727	3.58%
Contributions and donations	12,975	30,913	-	-	12,975	30,913	-58.03%
Unrestricted investment earnings	18,128	31,725	174	255	18,302	31,980	-42.77%
Other	<u>4,138</u>	<u>12,508</u>	<u>-</u>	<u>-</u>	<u>4,138</u>	<u>12,508</u>	-66.92%
Total revenues	<u>7,865,164</u>	<u>7,828,959</u>	<u>351,347</u>	<u>369,680</u>	<u>8,216,511</u>	<u>8,198,639</u>	0.22%
Program expenses							
Governmental activities							
Instruction	4,995,818	4,807,266	-	-	4,995,818	4,807,266	3.92%
Support services	2,332,664	2,716,936	-	-	2,332,664	2,716,936	-14.14%
Non-instructional programs	1,366	1,131	349,143	363,368	350,509	364,499	-3.84%
Other expenses	<u>657,645</u>	<u>569,983</u>	<u>-</u>	<u>-</u>	<u>657,645</u>	<u>569,983</u>	15.38%
Total expenses	<u>7,987,493</u>	<u>8,095,316</u>	<u>349,143</u>	<u>363,368</u>	<u>8,336,636</u>	<u>8,458,684</u>	-1.44%
Loss on disposal of capital assets	<u>(10)</u>	<u>(25,008)</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(25,008)</u>	-99.96%
Change in net position	(122,339)	(291,365)	2,204	6,312	(120,135)	(285,053)	57.86%
Net position beginning of year	<u>5,898,859</u>	<u>6,190,224</u>	<u>119,967</u>	<u>113,655</u>	<u>6,018,826</u>	<u>6,303,879</u>	-4.52%
Net position end of year	<u>\$ 5,776,520</u>	<u>\$ 5,898,859</u>	<u>\$ 122,171</u>	<u>\$ 119,967</u>	<u>\$ 5,898,691</u>	<u>\$ 6,018,826</u>	-2.00%

In fiscal 2013, property tax and unrestricted state grants account for 65% of the revenue from governmental activities while charges for service and sales and

operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$8,216,511 of which \$7,865,164 was for governmental activities and \$351,347 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a less than 1% increase in revenues and a 1% decrease in expenses. Unrestricted state grants increased \$84,817 and statewide sales, services and use tax revenue increased \$44,802 to fund increases in expenditures. The District decreased spending for capital improvements and transportation and increased spending in the area of instruction. Property tax revenues decreased 6% while revenue generated from charges for services increased 6.5%.

Governmental Activities

Revenues for governmental activities were \$7,865,164 and expenses were \$7,987,493 for the year ended June 30, 2013. The largest changes in revenue resulted in additional SAVE dollars received and special education tuition received from other local education agencies. The largest change in expenditures was a reduction in expenditures for computer equipment in the Capital Projects fund.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
			Change			Change
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Instruction	\$ 4,995,818	\$ 4,807,266	3.9%	\$ 2,963,228	\$ 2,892,856	2.4%
Support services	2,332,664	2,716,936	-14.1%	2,328,120	2,706,932	-14.0%
Non-instructional programs	1,366	1,131	20.8%	1,366	1,131	20.8%
Other expenses	<u>657,645</u>	<u>569,983</u>	15.4%	<u>435,275</u>	<u>354,053</u>	22.9%
Total expenses	<u>\$ 7,987,493</u>	<u>\$ 8,095,316</u>	-1.3%	<u>\$ 5,727,989</u>	<u>\$ 5,954,972</u>	-3.8%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,377,991.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$881,513.
- The net cost of governmental activities was financed with \$3,114,875 in property and other taxes and \$2,455,544 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$351,347 representing a 5% decrease from the prior year and expenses were \$349,143, a 4% decrease from the prior year. The District's business type activities include the School

Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District increased what it charged for meals. Salaries and benefits account for 47% of the expenditures and the remaining 53% was spent on food supplies and other miscellaneous expenditures.

INDIVIDUAL FUND ANALYSIS

As previously noted, Durant Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,899,363, slightly above last year's ending fund balances of \$2,430,852. The increase was primarily due to increased revenue in Special Revenue Funds.

Governmental Fund Highlights

The District's deteriorating General Fund balance is the result of many factors. The General Fund balance decreased from \$1,236,334 to \$991,588, due to increased salary and benefit package which included an increase in the employer's contribution to IPERS. Increased costs for health insurance as well as reduced state funding due to declining enrollment also negatively impacted the General Fund balance.

The Statewide Sales, Services and Use Tax Fund balance increased from \$731,503 in 2012 to \$1,560,373 in 2013 due to the issuance of \$900,000 in revenue tax bonds.

Proprietary Fund Highlights

Enterprise Fund net position increased from \$119,967 at June 30, 2012 to \$122,171 at June 30, 2013, representing an increase of approximately 2%. The increase was due to increased meal prices charged to students and staff.

BUDGETARY HIGHLIGHTS

Over the course of the year, Durant Community School District amended its annual budget by \$635,000 to include additional computer and technology purchases and the boiler replacement project.

The District's revenues were \$242,920 more than budgeted revenues, a variance of approximately 3%. The District's practice is to budget conservatively and underestimate revenue when budgeting.

The total expenditures were \$619,314 less than the amended budget. It is the District's practice to overestimate expenditures slightly when amending the budget to avoid going over budget at year end with unexpected/unanticipated expenses. The expenses incurred at year end for the boiler project came in less than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5,528,210, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$416,075.

The original cost of the District's capital assets was \$11,430,376. Governmental funds account for \$11,363,250, with the remainder of \$67,126 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category, which increased from zero at June 30, 2012 to \$202,543 at June 30, 2013 due to the boiler replacement started in 2013, but not completed as of June 30, 2013.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 135,364	\$ 135,364	\$ -	\$ -	\$ 135,364	\$ 135,364	0.00%
Construction in progress	202,543	-	-	-	202,543	-	100.00%
Buildings and improvements	3,899,785	3,972,564	-	-	3,899,785	3,972,564	-1.83%
Improvements, other than buildings	319,376	345,181	-	-	319,376	345,181	-7.48%
Furniture and equipment	942,619	1,089,317	28,523	19,190	971,142	1,108,507	-12.39%
Totals	<u>\$ 5,499,687</u>	<u>\$ 5,542,426</u>	<u>\$ 28,523</u>	<u>\$ 19,190</u>	<u>\$ 5,528,210</u>	<u>\$ 5,561,616</u>	-0.60%

Long-Term Debt

At June 30, 2013, the District had \$3,025,282 in general obligation and other long-term debt outstanding. This represents an increase of approximately 21% over the prior year. (See Figure A-7) The increase was due to revenue bonds being issued during 2013. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District does not currently have a bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$10.2 million.

Figure A-7

Outstanding Long-term Obligations

	Total District		Total Change
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
General obligation bonds	\$ 1,500,000	\$ 1,680,000	-10.71%
Capital loan notes	-	44,827	-100.00%
Revenue bonds	900,000	-	100.00%
Capital leases	440,728	658,142	-33.03%
Net OPEB liability	<u>184,554</u>	<u>120,160</u>	53.59%
Total	<u>\$ 3,025,282</u>	<u>\$ 2,503,129</u>	20.86%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's certified enrollment dropped by more than 20 students from 2012-2013. With the budget guarantee the district should see an increase in revenue for the 2013-2014 school year.
- The District will continue whole grade sharing with the Bennett Community School District for grades 7-12 in the 2014 fiscal year. The District will also be sharing a teacher with the Wilton Community School District in FY14.
- IPERS contribution rates for employers will be increased to 8.93% of employee wages. This is an increase from 8.67% in FY13.
- FY14 will be the second year of an administrator settlement agreement and will pay the balance of \$310,000 over 31 months starting in September 2013 through FY16. This settlement will be funded through the Management Fund.
- The District will be completing the boiler replacement project in FY14 as well as replacing some floor coverings.
- There will be a significant reduction in force in an effort to balance revenues and expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lesa Kephart, District Secretary and Business Manager, Durant Community School District, 408 7th Street, Durant, Iowa 52747.

Basic Financial Statements

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$2,819,001	\$ 82,323	\$2,901,324
Receivables			
Property tax			
Delinquent	19,263	-	19,263
Succeeding year	2,687,905	-	2,687,905
Accounts receivable	13,007	72	13,079
Income surtax	269,338	-	269,338
Due from other governments	514,535	-	514,535
Inventories	-	11,421	11,421
Non-depreciable capital assets	337,907	-	337,907
Capital assets, net of accumulated depreciation	5,161,780	28,523	5,190,303
Total assets	<u>11,822,736</u>	<u>122,339</u>	<u>11,945,075</u>
Liabilities			
Accounts payable	444,849	-	444,849
Salaries and benefits payable	19,442	168	19,610
Accrued interest payable	12,116	-	12,116
Due to other governments	997	-	997
Deferred revenue			
Succeeding year property tax	2,687,905	-	2,687,905
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	190,000	-	190,000
Capital lease payable	219,375	-	219,375
General obligation bonds payable	1,310,000	-	1,310,000
Capital lease payable	221,353	-	221,353
Unamortized bond discount	(144,375)	-	(144,375)
Revenue bonds payable	900,000	-	900,000
Net OPEB liability	184,554	-	184,554
Total liabilities	<u>6,046,216</u>	<u>168</u>	<u>6,046,384</u>
Net Position			
Net investment in capital assets	2,658,959	28,523	2,687,482
Restricted for			
Categorical funding	224,477	-	224,477
Management levy purposes	86,475	-	86,475
Physical plant and equipment	289,233	-	289,233
Debt service	191,077	-	191,077
Student activities	47,545	-	47,545
School infrastructure	1,560,373	-	1,560,373
Unrestricted	718,381	93,648	812,029
Total net position	<u>\$5,776,520</u>	<u>\$122,171</u>	<u>\$5,898,691</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Governmental activities						
Instruction						
Regular instruction	\$ 3,021,953	\$ 874,378	\$ 575,112	\$ -	\$ (1,572,463)	\$ -
Special instruction	961,223	237,134	69,086	-	(655,003)	-
Other instruction	1,012,642	266,479	10,401	-	(735,762)	-
	4,995,818	1,377,991	654,599	-	(2,963,228)	-
Support services						
Student	192,816	-	-	-	(192,816)	-
Instructional staff	271,072	-	4,544	-	(266,528)	-
Administration	856,162	-	-	-	(856,162)	-
Operation and maintenance of plant	717,830	-	-	-	(717,830)	-
Transportation	294,784	-	-	-	(294,784)	-
	2,332,664	-	4,544	-	(2,328,120)	-
	1,366	-	-	-	(1,366)	-
Non-instructional programs						
Other expenses						
Facilities acquisition	118,427	-	-	-	(118,427)	-
Long-term debt interest	114,574	-	-	-	(114,574)	-
AEA flowthrough	222,370	-	222,370	-	-	-
Depreciation (unallocated) *	202,274	-	-	-	(202,274)	-
	657,645	-	222,370	-	(435,275)	-
	7,987,493	1,377,991	881,513	-	(5,727,989)	-
Total governmental activities						

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Functions/Programs (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 349,143	\$ 216,496	\$ 134,677	\$ -	\$ 2,030	\$ 2,030
Total	<u>\$ 8,336,636</u>	<u>\$ 1,594,487</u>	<u>\$ 1,016,190</u>	<u>\$ -</u>	<u>\$ 2,030</u>	<u>\$ (5,725,959)</u>
General Revenues						
Property tax levied for						
General purposes						2,293,080
Debt service						112,197
Capital outlay						216,129
Statewide sales, services and use tax						493,469
Unrestricted state grants						2,455,544
Contributions and donations						12,975
Unrestricted investment earnings						18,302
Other						4,138
Special item - loss on sale of assets						(10)
Total general revenues and special item						<u>5,605,824</u>
Change in net position						<u>(120,135)</u>
Net position beginning of year						<u>6,018,826</u>
Net position end of year						<u>\$ 5,898,691</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2013

		Capital Projects		
		Statewide	Nonmajor	
		Sales, Services	Governmental	
	<u>General</u>	<u>and Use Tax</u>	<u>Funds</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 808,677	\$ 1,547,925	\$ 462,399	\$2,819,001
Receivables				
Property tax				
Delinquent	16,592	-	2,671	19,263
Succeeding year	2,358,667	-	329,238	2,687,905
Accounts receivable	7,823	3,959	1,225	13,007
Income surtax	134,669	-	134,669	269,338
Due from other governments	332,057	182,478	-	514,535
Total assets	<u>\$3,658,485</u>	<u>\$ 1,734,362</u>	<u>\$ 930,202</u>	<u>\$6,323,049</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 151,967	\$ 173,989	\$ 118,893	\$ 444,849
Salaries and benefits payable	19,442	-	-	19,442
Due to other governments	997	-	-	997
Deferred revenue				
Succeeding year property tax	2,358,667	-	329,238	2,687,905
Income surtax	134,669	-	134,669	269,338
Other	1,155	-	-	1,155
Total liabilities	<u>2,666,897</u>	<u>173,989</u>	<u>582,800</u>	<u>3,423,686</u>
Fund balances				
Restricted for				
Categorical funding	224,477	-	-	224,477
School infrastructure	-	1,560,373	-	1,560,373
Student activities	-	-	47,545	47,545
Management levy purposes	-	-	86,475	86,475
Physical plant and equipment	-	-	154,564	154,564
Debt service	-	-	58,818	58,818
Unassigned	767,111	-	-	767,111
Total fund balances	<u>991,588</u>	<u>1,560,373</u>	<u>347,402</u>	<u>2,899,363</u>
Total liabilities and fund balances	<u>\$3,658,485</u>	<u>\$ 1,734,362</u>	<u>\$ 930,202</u>	<u>\$6,323,049</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2013

Exhibit D

Total fund balances of governmental funds	\$2,899,363
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**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,499,687
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	270,493
---	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,116)
--	----------

Unamortized bond discount on refunding is not available to pay current period expenditures and, therefore, are not reported as assets in the governmental funds.	144,375
--	---------

Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,025,282)</u>
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Net position of governmental activities	<u>\$5,776,520</u>
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DURANT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

Exhibit E

		Capital Projects		
		Statewide	Nonmajor	
		Sales, Services	Governmental	
	<u>General</u>	<u>and Use Tax</u>	<u>Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$2,132,438	\$ 493,469	\$ 477,347	\$3,103,254
Tuition	949,199	-	-	949,199
Other	147,557	59,929	272,979	480,465
Intermediate sources	11,905	-	-	11,905
State sources	3,163,555	-	129	3,163,684
Federal sources	147,449	-	-	147,449
Total revenues	<u>6,552,103</u>	<u>553,398</u>	<u>750,455</u>	<u>7,855,956</u>
Expenditures				
Current				
Instruction				
Regular	2,795,817	29,043	31,096	2,855,956
Special	950,062	-	-	950,062
Other	721,166	-	283,972	1,005,138
	<u>4,467,045</u>	<u>29,043</u>	<u>315,068</u>	<u>4,811,156</u>
Support services				
Student	189,463	-	-	189,463
Instructional staff	268,920	-	-	268,920
Administration	810,755	-	29,323	840,078
Operation and maintenance of plant	608,405	-	94,510	702,915
Transportation	232,277	-	61,717	293,994
	<u>2,109,820</u>	<u>-</u>	<u>185,550</u>	<u>2,295,370</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>1,366</u>	<u>1,366</u>
Other expenditures				
Facilities acquisition	-	330,169	88,198	418,367
Long-term debt				
Principal	-	-	467,240	467,240
Interest and fiscal charges	-	4,050	74,433	78,483
AEA flowthrough	222,370	-	-	222,370
	<u>222,370</u>	<u>334,219</u>	<u>629,871</u>	<u>1,186,460</u>
Total expenditures	<u>6,799,235</u>	<u>363,262</u>	<u>1,131,855</u>	<u>8,294,352</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (247,132)	\$ 190,136	\$(381,400)	\$ (438,396)
Other financing sources (uses)				
Proceeds from issuance of bonds	-	906,907	-	906,907
Interfund operating transfers in	2,386	-	411,944	414,330
Interfund operating transfers (out)	-	(268,173)	(146,157)	(414,330)
Total other financing sources	<u>2,386</u>	<u>638,734</u>	<u>265,787</u>	<u>906,907</u>
Change in fund balances	(244,746)	828,870	(115,613)	468,511
Fund balance, beginning of year, as corrected	<u>1,236,334</u>	<u>731,503</u>	<u>463,015</u>	<u>2,430,852</u>
Fund balance, end of year	<u>\$ 991,588</u>	<u>\$ 1,560,373</u>	<u>\$ 347,402</u>	<u>\$2,899,363</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2013

Exhibit F

Change in fund balances - total governmental funds \$ 468,511

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 369,771	
Loss on disposal of capital assets	(10)	
Depreciation expense	<u>(412,500)</u>	(42,739)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	9,208
--	-------

Amortization of the discount on bond refunding did not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. However, the annual amortization is reported as an expenditure in the Statement of Activities.	(20,625)
---	----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	\$(900,000)	
Repaid	<u>442,241</u>	(457,759)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Other postemployment benefits	(64,394)
-------------------------------	----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

Change in net position of governmental activities	<u><u>\$ (122,339)</u></u>
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See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2013

Exhibit G

	Nonmajor School <u>Nutrition</u>
Assets	
Current assets	
Cash, cash equivalents and pooled investments	\$ 82,323
Accounts receivable	72
Inventories	<u>11,421</u>
Total current assets	93,816
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>28,523</u>
Total assets	<u>122,339</u>
Liabilities	
Current liabilities	
Salaries and benefits payable	<u>168</u>
Total liabilities	168
Net Position	
Investment in capital assets	28,523
Unrestricted	<u>93,648</u>
Total net position	<u>\$ 122,171</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

Exhibit H

	Nonmajor School <u>Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$216,496</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	126,238
Benefits	41,140
Purchased services	7,707
Supplies	169,444
Miscellaneous	1,039
Depreciation	<u>3,575</u>
Total operating expenses	<u>349,143</u>
Operating loss	<u>(132,647)</u>
Non-operating revenues	
Interest income	174
State sources	5,810
Federal sources	<u>128,867</u>
Total non-operating revenues	<u>134,851</u>
Change in net position	2,204
Net position beginning of year	<u>119,967</u>
Net position end of year	<u>\$122,171</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

Exhibit I

Nonmajor
School
Nutrition

Cash flows from operating activities	
Cash received from sale of services	\$ 216,861
Cash payments to employees for services	(167,210)
Cash payments to suppliers for goods and services	<u>(156,902)</u>
Net cash used in operating activities	<u>(107,251)</u>
Cash flows from non-capital financing activities	
State grants received	5,810
Federal grants received	<u>106,525</u>
Net cash provided by non-capital financing activities	<u>112,335</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(12,908)</u>
Cash flows from investing activities	
Interest on investments	<u>174</u>
Net decrease in cash and cash equivalents	(7,650)
Cash and cash equivalents, beginning of year	<u>89,973</u>
Cash and cash equivalents, end of year	<u><u>\$ 82,323</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (132,647)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,575
Commodities used	22,342
Decrease in accounts receivable	365
(Increase) in inventory	(1,054)
Increase in accrued salaries and benefits	<u>168</u>
Net cash used in operating activities	<u><u>\$ (107,251)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2013 the District received \$22,342 of federal commodities.

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

Exhibit J

	Private Purpose <u>Trust</u>	<u>Agency District Football</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 13,898	\$ 2
Liabilities		
Due to others	<u>-</u>	<u>2</u>
Net Position		
Reserved for scholarships	<u>\$ 13,898</u>	<u>\$ -</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2013

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 1,000
Interest	<u>73</u>
Total additions	1,073
Deductions	
Instruction	
Regular	
Scholarships awarded	<u>1,000</u>
Change in net position	73
Net position beginning of year	<u>13,825</u>
Net position end of year	<u><u>\$ 13,898</u></u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies

The Durant Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the communities of Durant, Stockton, Sunbury and Pleasant Prairie, Iowa, and the agricultural territory in Cedar, Muscatine and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Durant Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Durant Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Project - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the enterprise, School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	\$ 5,000
Improvements other than buildings	\$ 5,000
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-15 years

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees' hours worked in June, not paid until July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds as well as property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation include \$86,475 for management levy purposes, \$289,233 for physical plant and equipment, \$191,077 for debt service, \$47,545 for student activities and \$1,560,373 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$2,696 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Non-major governmental Debt service	Statewide Sales, Services and Use Tax Fund	\$ 268,173
Non-major governmental Debt service	Non-major capital projects fund Physical plant and equipment levy	143,771
General	Non-major special revenue fund Management levy	<u>2,386</u>
		<u>\$ 414,330</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund to the Debt Service Fund were for payments of principal and interest on the District's debt. The transfers from the Management Levy to the General Fund were to correct coding of insurance deductible payment.

Note 4. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program

Gifted and Talented	\$ 50,283
Returning dropout and dropout prevention program	109,789
Educator quality, professional development for model core curriculum	26,717
Educator quality, professional development	34,584
Educator quality, market factor incentives	<u>3,104</u>
	<u>\$ 224,477</u>

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 135,364	\$ -	\$ -	\$ 135,364
Construction in progress	<u>-</u>	<u>202,543</u>	<u>-</u>	<u>202,543</u>
Total capital asset not being depreciated	<u>135,364</u>	<u>202,543</u>	<u>-</u>	<u>337,907</u>
Capital assets being depreciated:				
Buildings and improvements	8,083,288	97,396	-	8,180,684
Improvements other than buildings	678,425	-	(10)	678,415
Furniture and equipment	<u>2,102,652</u>	<u>69,832</u>	<u>(6,240)</u>	<u>2,166,244</u>
Total capital assets being depreciated	<u>10,864,365</u>	<u>167,228</u>	<u>(6,250)</u>	<u>11,025,343</u>
Less accumulated depreciation for:				
Buildings and improvements	4,110,724	170,175	-	4,280,899
Improvements other than buildings	333,244	25,795	-	359,039
Furniture and equipment	<u>1,013,335</u>	<u>216,530</u>	<u>(6,240)</u>	<u>1,223,625</u>
Total accumulated depreciation	<u>5,457,303</u>	<u>412,500</u>	<u>(6,240)</u>	<u>5,863,563</u>
Total capital assets being depreciated, net	<u>5,407,062</u>	<u>(245,272)</u>	<u>(10)</u>	<u>5,161,780</u>
Governmental activities capital assets, net	<u>\$ 5,542,426</u>	<u>\$ (42,729)</u>	<u>\$ (10)</u>	<u>\$ 5,499,687</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 49,742	\$ 12,908	\$ (4,476)	\$ 67,126
Less accumulated depreciation	<u>30,552</u>	<u>3,575</u>	<u>(4,476)</u>	<u>38,603</u>
Business type activities capital assets, net	<u>\$ 19,190</u>	<u>\$ 9,333</u>	<u>\$ -</u>	<u>\$ 28,523</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 154,647
Special	1,276
Support services	
Student support	1,182
Administration	7,732
Operation and maintenance of plant	11,686
Transportation	<u>33,703</u>
	210,226
Unallocated	<u>202,274</u>
Total governmental activities depreciation expense	<u>\$ 412,500</u>

Business type activities

Food services	<u>\$ 3,575</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 1,680,000	\$ -	\$ (180,000)	\$ 1,500,000	\$ 190,000
Capital loan notes	44,827	-	(44,827)	-	-
Revenue bonds	-	900,000	-	900,000	-
Capital lease	658,142	-	(217,414)	440,728	219,375
Net OPEB liability	<u>120,160</u>	<u>64,394</u>	<u>-</u>	<u>184,554</u>	<u>-</u>
Totals	<u>\$ 2,503,129</u>	<u>\$ 964,394</u>	<u>\$ (442,241)</u>	<u>\$ 3,025,282</u>	<u>\$ 409,375</u>

Interest costs incurred and charged to expense on all long-term debt was \$114,574 for the year ended June 30, 2013.

Capital Lease

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

	Year Ending <u>June 30,</u>	<u>Amount</u>
	2014	\$ 222,849
	2015	<u>222,849</u>
Minimum lease payments		445,698
Less amount representing interest		<u>4,970</u>
Present value of minimum lease payments		<u>\$ 440,728</u>

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond issue of January 8, 2004			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	4.00%	\$ 190,000	\$ 60,800	\$ 250,800
2015	3.80%	200,000	53,200	253,200
2016	3.90%	205,000	45,600	250,600
2017	4.00%	210,000	37,605	247,605
2018	4.10%	225,000	29,205	254,205
2019-2020	4.2-4.3%	<u>470,000</u>	<u>30,300</u>	<u>500,300</u>
Totals		<u>\$ 1,500,000</u>	<u>\$ 256,710</u>	<u>\$ 1,756,710</u>

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond issue of June 5, 2013			
	Interest <u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2014	1.00%	\$ 5,150	\$ -	\$ 5,150
2015	1.00%	7,900	220,000	227,900
2016	1.00%	5,675	225,000	230,675
2017	1.00%	3,425	225,000	228,425
2018	1.00%	<u>1,150</u>	<u>230,000</u>	<u>231,150</u>
Totals		<u>\$ 23,300</u>	<u>\$ 900,000</u>	<u>\$ 923,300</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$900,000 of bonds issued in June 2013. The bonds were issued to finance heating and cooling upgrades at the building. The bonds are payable solely from the proceeds of the statewide sales,

services and use tax revenues received by the District and are payable through 2018. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$923,300. For the current year no interest or principal was paid on the revenue bonds and statewide sales, services and use tax revenues were \$493,469.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$90,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2013.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 5.78%, 5.38% and 4.5% of their annual covered salary and the District was required to contribute 8.67%, 8.07% and 6.95% of annual covered payroll for the years ended June 30, 2013, 2012 and 2011 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$371,454, \$339,934 and \$273,568, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 79 active, no one was excluded from the valuation because they were older than age 65, and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 54,662
Interest on net OPEB obligation	13,619
Adjustment to annual required contribution	-
Annual OPEB cost	68,281
Contributions made	(3,887)
Increase in net OPEB obligation	64,394
Net OPEB obligation beginning of year	120,160
Net OPEB obligation end of year	<u>\$ 184,554</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$3,887 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 51,537	18.4%	\$ 42,077
2011	39,623	19.9%	\$ 73,797
2012	53,002	12.5%	\$ 120,160
2013	64,394	5.7%	\$ 184,554

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$219,728, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$219,728. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.2 million and the ratio of UAAL to covered payroll was 5.2%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$222,370 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Subsequent Event

The District sold revenue bonds in June 2013 to partially finance heating and cooling upgrades in the building. The project was started in June 2013 and is expected to be completed in the spring of 2014.

Note 13. Correction of Beginning Fund Balance

During the year ended June 30, 2013, it was noted that the balance in the Management Fund was overstated by \$17,167. Therefore, the beginning balance of the Management Fund was reduced by \$17,167 on these financial statements.

Required Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Fund Required Supplementary Information For the Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 4,532,918	\$ 216,670	\$ 4,749,588	\$ 4,209,312	\$ 4,209,312	\$ 540,276
Intermediate sources	11,905	-	11,905	5,000	5,000	6,905
State sources	3,163,684	5,810	3,169,494	3,479,838	3,479,838	(310,344)
Federal sources	147,449	128,867	276,316	270,233	270,233	6,083
Total revenues	<u>7,855,956</u>	<u>351,347</u>	<u>8,207,303</u>	<u>7,964,383</u>	<u>7,964,383</u>	<u>242,920</u>
Expenditures/Expenses						
Instruction	4,811,156	-	4,811,156	5,011,423	5,061,423	250,267
Support services	2,295,370	-	2,295,370	2,346,966	2,356,966	61,596
Non-instructional programs	1,366	349,143	350,509	386,257	386,257	35,748
Other expenditures	1,186,460	-	1,186,460	883,163	1,458,163	271,703
Total expenditures/expenses	<u>8,294,352</u>	<u>349,143</u>	<u>8,643,495</u>	<u>8,627,809</u>	<u>9,262,809</u>	<u>619,314</u>
Excess (deficiency) of revenues over (under) expenditures/expenses Net other financing sources (uses)	<u>(438,396)</u> <u>906,907</u>	<u>2,204</u> <u>-</u>	<u>(436,192)</u> <u>906,907</u>	<u>(663,426)</u> <u>(4,531)</u>	<u>(1,298,426)</u> <u>(4,531)</u>	<u>862,234</u> <u>911,438</u>
Net change in fund balance Balance, beginning of year, as corrected Balance, end of year	<u>468,511</u> <u>2,430,852</u> <u>\$ 2,899,363</u>	<u>2,204</u> <u>119,967</u> <u>\$ 122,171</u>	<u>470,715</u> <u>2,550,819</u> <u>\$ 3,021,534</u>	<u>(667,957)</u> <u>2,381,136</u> <u>\$ 1,713,179</u>	<u>(1,302,957)</u> <u>2,381,136</u> <u>\$ 1,078,179</u>	<u>1,773,672</u> <u>169,683</u> <u>\$ 1,943,355</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted two budget amendments increasing budgeted expenditures by \$635,000.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$273,378	\$273,378	\$ -	\$3,950,415	6.9%
2011	July 1, 2009	\$ -	\$273,378	\$273,378	\$ -	\$3,898,123	7.0%
2012	July 1, 2009	\$ -	\$273,378	\$273,378	\$ -	\$4,214,541	6.5%
2013	July 1, 2012	\$ -	\$219,728	\$219,728	\$ -	\$4,259,520	5.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 50,651	\$ 199,750	\$ 154,664	\$ 57,334	\$ 462,399
Receivables					
Property tax					
Delinquent	-	1,287	525	859	2,671
Succeeding year	-	220,349	555	108,334	329,238
Accounts receivable	-	600	-	625	1,225
Income surtax	-	-	134,669	-	134,669
Total assets	<u>\$ 50,651</u>	<u>\$ 421,986</u>	<u>\$ 290,413</u>	<u>\$ 167,152</u>	<u>\$ 930,202</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,106	\$ 115,162	\$ 625	\$ -	\$ 118,893
Deferred revenue					
Succeeding year property tax	-	220,349	555	108,334	329,238
Income surtax	-	-	134,669	-	134,669
Total liabilities	<u>3,106</u>	<u>335,511</u>	<u>135,849</u>	<u>108,334</u>	<u>582,800</u>
Fund balances					
Restricted for					
Student activities	47,545	-	-	-	47,545
Management levy purposes	-	86,475	-	-	86,475
Physical plant and equipment	-	-	154,564	-	154,564
Debt service	-	-	-	58,818	58,818
Total fund balances	<u>47,545</u>	<u>86,475</u>	<u>154,564</u>	<u>58,818</u>	<u>347,402</u>
Total liabilities and fund balances	<u>\$ 50,651</u>	<u>\$ 421,986</u>	<u>\$ 290,413</u>	<u>\$ 167,152</u>	<u>\$ 930,202</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
Revenues					
Local sources					
Local taxes	\$ -	\$154,432	\$210,760	\$112,155	\$ 477,347
Other	266,730	4,661	1,588	-	272,979
State sources	-	62	25	42	129
Total revenues	<u>266,730</u>	<u>159,155</u>	<u>212,373</u>	<u>112,197</u>	<u>750,455</u>
Expenditures					
Current					
Instruction					
Regular	-	31,096	-	-	31,096
Other	<u>283,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,972</u>
Total instruction	<u>283,972</u>	<u>31,096</u>	<u>-</u>	<u>-</u>	<u>315,068</u>
Support services					
Administration	-	29,323	-	-	29,323
Operation and maintenance of plant	-	94,510	-	-	94,510
Transportation	-	26,796	34,921	-	61,717
Total support services	<u>-</u>	<u>150,629</u>	<u>34,921</u>	<u>-</u>	<u>185,550</u>
Non-instructional programs	<u>-</u>	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>1,366</u>
Other expenditures					
Long-term debt					
Principal	-	25,000	-	442,240	467,240
Interest and fiscal charges	-	-	-	74,433	74,433
Total other expenditures	<u>-</u>	<u>25,000</u>	<u>88,198</u>	<u>516,673</u>	<u>629,871</u>
Total expenditures	<u>283,972</u>	<u>208,091</u>	<u>123,119</u>	<u>516,673</u>	<u>1,131,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,242)</u>	<u>(48,936)</u>	<u>89,254</u>	<u>(404,476)</u>	<u>(381,400)</u>
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	411,944	411,944
Interfund operating transfers (out)	<u>-</u>	<u>(2,386)</u>	<u>(143,771)</u>	<u>-</u>	<u>(146,157)</u>
Total other financing sources (uses)	<u>-</u>	<u>(2,386)</u>	<u>(143,771)</u>	<u>411,944</u>	<u>265,787</u>
Change in fund balances	(17,242)	(51,322)	(54,517)	7,468	(115,613)
Fund balances, beginning of year, as corrected	<u>64,787</u>	<u>137,797</u>	<u>209,081</u>	<u>51,350</u>	<u>463,015</u>
Fund balances, end of year	<u>\$ 47,545</u>	<u>\$ 86,475</u>	<u>\$154,564</u>	<u>\$ 58,818</u>	<u>\$ 347,402</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2013

Schedule 3

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$ 260</u>	<u>\$ 68</u>	<u>\$ 326</u>	<u>\$ 2</u>
 Liabilities				
Due to others	<u>\$ 260</u>	<u>\$ 68</u>	<u>\$ 326</u>	<u>\$ 2</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2013

Schedule 4

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 10,126	\$ 102,857	\$ 110,977	\$ 2,006
Athletic equipment	2,476	13	-	2,489
Band	2,380	13,628	14,163	1,845
Basketball cheer	470	1,785	1,787	468
Baseball camp	8,581	3,000	11,243	338
Boys basketball camp	2,276	1,620	2,778	1,118
Boys track camp	1,008	6	411	603
Class of:				
2008	790	-	-	790
2010	125	-	-	125
2011	328	-	-	328
2012	1,961	-	-	1,961
2013	1,116	332	-	1,448
2014	-	5,190	4,085	1,105
Close Up	1,181	6	-	1,187
Drama	2,501	3,607	2,479	3,629
8th grade class trip	887	46,754	46,282	1,359
Football camp	7,559	17,159	18,365	6,353
Girls track camp	1,735	5,954	6,784	905
High school cheerleading	1,590	5,023	5,218	1,395
High school dance	1,238	14,159	13,515	1,882
Student council	1,285	4,302	3,165	2,422
Interest	536	327	615	248
Jr high cheerleaders	103	1	-	104
Jr high student council	468	1,454	798	1,124
K-8 memory book	1,013	1,530	2,316	227
Kitten camp	200	1,344	1,672	(128)
Library book club	38	-	-	38
NFL	133	201	424	(90)
National Honor Society	436	2,751	1,785	1,402
Outside classroom	774	5	60	719
Physical fitness	160	1	-	161
Playground	554	1	236	319
Resale	1	15,493	15,490	4
Softball camp	188	52	240	-
Spanish	399	6	-	405
TSA	185	1	-	186
Vocal	3,103	5,485	6,497	2,091
Volleyball	650	4,479	3,173	1,956
Wrestling cheerleading	79	2,127	2,206	-
Yearbook	6,154	6,077	7,208	5,023
Totals	<u>\$ 64,787</u>	<u>\$ 266,730</u>	<u>\$ 283,972</u>	<u>\$ 47,545</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	Modified Accrual Basis									
Revenues										
Local sources										
Local tax	\$ 3,103,254	\$ 3,227,545	\$ 2,746,799	\$ 2,852,282	\$ 2,677,179	\$ 2,581,583	\$ 2,464,973	\$ 2,408,595	\$ 2,300,293	\$ 2,151,453
Tuition	949,199	871,750	910,197	956,690	1,067,798	863,874	918,904	896,137	569,356	475,576
Other	480,465	462,439	471,849	432,908	437,409	363,034	335,240	243,570	332,135	231,260
Intermediate sources	11,905	8,935	33,670	15,230	56,771	75,036	27,303	13,821	3,252	-
State sources	3,163,684	3,094,091	2,861,104	2,348,127	2,986,998	2,844,075	2,618,463	2,438,037	2,402,092	2,262,339
Federal sources	147,449	265,695	393,869	317,707	131,097	101,138	105,755	104,104	124,557	120,666
Total revenues	<u>\$ 7,855,956</u>	<u>\$ 7,930,455</u>	<u>\$ 7,417,488</u>	<u>\$ 6,922,944</u>	<u>\$ 7,357,252</u>	<u>\$ 6,828,740</u>	<u>\$ 6,470,638</u>	<u>\$ 6,104,264</u>	<u>\$ 5,731,685</u>	<u>\$ 5,241,294</u>
Expenditures										
Current										
Instruction										
Regular	\$ 2,855,956	\$ 3,424,589	\$ 2,625,845	\$ 3,053,927	\$ 2,728,113	\$ 2,626,712	\$ 2,601,773	\$ 2,393,845	\$ 2,141,919	\$ 2,198,942
Special	950,062	970,678	709,463	287,899	592,423	631,523	548,432	562,493	562,300	661,354
Other	1,005,138	934,694	960,229	934,134	860,888	705,939	564,489	475,139	507,459	351,445
Support services										
Student	189,463	184,986	170,642	159,907	193,512	205,167	198,309	213,241	209,740	320,468
Instructional staff	268,920	356,013	300,410	238,188	276,118	224,881	250,670	158,671	178,084	82,419
Administration	840,078	1,051,322	793,887	697,986	684,815	641,250	637,153	536,276	483,196	474,882
Operation and maintenance of plant	702,915	688,814	638,531	609,180	615,445	592,145	562,029	535,154	466,938	422,288
Transportation	293,994	258,791	344,301	283,070	198,991	254,109	295,141	239,974	285,428	314,280
Other support services	-	-	-	1	-	-	-	-	1,500	1,550
Non-instructional programs	1,366	1,131	1,362	1,868	8,358	3,369	726	516	1,949	1,750
Other expenditures										
Facilities acquisition	418,367	219,148	226,011	80,454	727,767	289,242	578,024	226,228	221,101	55,345
Long-term debt										
Principal	467,240	414,934	194,392	203,151	207,888	190,999	171,293	150,000	156,964	151,343
Interest and other charges	78,483	80,796	82,249	88,543	95,130	100,482	102,314	105,987	111,545	144,382
AEA flowthrough	222,370	215,930	237,068	224,013	209,609	200,054	188,841	173,062	171,250	170,109
Total expenditures	<u>\$ 8,294,352</u>	<u>\$ 8,801,826</u>	<u>\$ 7,284,390</u>	<u>\$ 6,862,321</u>	<u>\$ 7,399,057</u>	<u>\$ 6,665,872</u>	<u>\$ 6,699,194</u>	<u>\$ 5,770,586</u>	<u>\$ 5,499,373</u>	<u>\$ 5,350,557</u>

See accompanying Independent Auditor's Report.

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Durant Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Durant Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 16, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Durant Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Durant Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Durant Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Durant Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Durant Community School District's Responses to Findings

Durant Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Durant Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Durant Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 16, 2014

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2013

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not report the construction in progress of \$190,543 on the CAR for the year ended June 30, 2013.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2013

enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2013 did not exceed the amended amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - The number of resident students reported to the Iowa Department of Education in October 2012 was overstated by four students.

Recommendation - The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

8. Supplementary Weighting - I notes a variance in the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was understated by .238 students.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2013

Recommendation - The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education; however, the Special Education Supplement was not filed by the due date.

Recommendation - The District should ensure that all reports are submitted in a timely manner in the future.

Response - We were waiting for a response from the Iowa Department of Education regarding a reporting issue about the Special Education Supplement and did not receive the response by the due date. We elected to file the report late with accurate information instead of submitting it timely with information that we knew was not correct. We will do everything possible to ensure that future reports are submitted by the due date.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2013

Beginning balance		\$ 731,503
Revenues		
Statewide sales, services and use tax	\$ 493,469	
Other local revenues	59,929	
Issuance of revenue bonds	<u>906,907</u>	1,460,305
Expenditures/transfers out		
Whole-grade sharing agreement		
School infrastructure		
Land		
School infrastructure construction	\$ 326,774	
Equipment	32,438	
Debt service for school infrastructure		
General obligation debt	268,173	
Revenue debt	<u>4,050</u>	<u>631,435</u>
Ending balance		<u>\$ 1,560,373</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Competitive Bid Requirements - The District did not comply with the competitive bid requirements in accordance with Chapters 26.2 through 26.13 of the Code of Iowa for the heating and cooling improvement project.

Recommendation - The District should ensure that it complies with Chapters 26.2 through 26.13 of the Code of Iowa for all future building or improvement projects.

Response - We will comply with the applicable Code of Iowa chapters for all future building and improvement projects.

Conclusion - Response accepted.

DURANT COMMUNITY SCHOOL DISTRICT

Audit Staff

June 30, 2013

This audit was performed by

Kay Chapman, CPA

Terri Slater, staff accountant